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ACTION AF-01

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INFO LOG-00 AGRE-00 AID-01 AMAD-01 CIAE-00 COME-00 CTME-00
OASY-00 DODE-00 ITCE-00 EB-01 EXME-00 TEDE-00 INR-00
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R 261048Z JAN 94
FM AMEMBASSY KIGALI
TO SECSTATE WASHDC 5588
INFO AMEMBASSY BUJUMBURA
AMEMBASSY NAIROBI

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E.O. 12356:N/A
TAGS: EAGR, EINV, RW
SUBJECT: WHAT'S THE GOING RATE FOR GREEN LEAF TEA?

1. SUMMARY. BILLING DISPUTE OVER THE PRICE SORWATHE (A U.S. OWNED TEA COMPANY) WAS CHARGED FOR GREEN LEAF TEA FROM 1987-1992 BY ASSOPTHE (THE ASSOCIATION OF RWANDAN TEA GROWERS) REMAINS UNRESOLVED. AMBASSADOR RAWSON INTERVENES ON BEHALF OF SORWATHE TO ENCOURAGE MINISTER OF COMMERCE TO RESOLVE THE ISSUE. YET THE MINISTER APPEARS TO BE TOO INVOLVED IN POLITICAL BARGAINING; THE EMBASSY MAY HAVE TO RAISE THE ISSUE AGAIN WITH THE TRANSITION GOVERNMENT ONCE IT IS FORMED. END SUMMARY.

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GREEN LEAF TEA DISPUTE DATES BACK TO 1987

2. IN 1987, THE MINISTER OF FINANCE ISSUED AN OFFICIAL DECISION TO THE TEA INDUSTRY, ESTABLISHING THE PRICE OF GREEN LEAF TEA DELIVERED TO THE FACTORY DOOR AT 15 FRANCS PER KILO. ASSOPTHE (THE ASSOCIATION OF RWANDAN TEA GROWERS - RESPONSIBLE FOR PURCHASE OF GREEN LEAF FROM TEA GROWERS AND DELIVERY OF GREEN LEAF TO EACH FACTORY) IGNORED THE MINISTER'S DECISION AND CHARGED SORWATHE 19.5 FRANCS PER KILO (THE RATE FOR GREEN LEAF

BEFORE THE MINISTER'S DECISION). UNCLASSIFIED

3. AFTER SORWATHE'S LETTERS TO ASSOPTHE REMINDING THE ASSOCIATION OF THE NEW PRICE YIELDED NO RESULTS, THE U.S. COMPANY ASKED FOR GOR INTERVENTION. IN RESPONSE, ON SEPTEMBER 16, 1991, THE MINISTER OF COMMERCE ISSUED AN OFFICIAL DECISION RE-AFFIRMING THE PRICE OF GREEN LEAF FOR TEA FACTORIES AT 15 FRANCS PER KILO.

4. SORWATHE'S GENERAL MANAGER TOLD ECONOFF THAT EVEN AFTER THE MINISTER OF COMMERCE'S DECISION, ASSOPTHE CONTINUED CHARGING ALL OTHER TEA PROCESSING FACTORIES 15 FRANCS PER KILO BUT INVOICED SORWATHE AT 19.5 FRANCS PER KILO UNTIL 1992. IN FEBRUARY 1992, THE PRICE OF GREEN LEAF WAS OFFICIALLY RAISED TO 20 FRANCS PER KILO AND IS THE RATE BEING PAID CURRENTLY BY ALL TEA FACTORIES.

MINISTER OF COMMERCE PROMISES TO RESOLVE DISPUTE

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5. LETTERS WERE EXCHANGED BETWEEN SORWATHE, ASSOPTHE AND THE GOVERNMENT OF RWANDA ABOUT THE DISPUTE WITH NO EFFECT. THEREFORE, IN OCTOBER 1993, JOE WERTHEIM DECIDED TO VISIT RWANDA TO TRY TO SETTLE THE MATTER PERSONALLY. PREVIOUS AMBASSADOR FLATEN ARRANGED A MEETING FOR MR. WERTHEIM WITH MINISTER OF COMMERCE, JUSTIN MUGENZI. AT THIS MEETING, THE MINISTER AGREED TO RESOLVE THE DISPUTE OFFICIALLY BY SENDING A LETTER TO ASSOPTHE, ASKING THEM TO CORRECT SORWATHE'S INVOICES FOR 1987-1992. NO LETTER WAS SENT BY YEAR'S END.

6. DURING HIS FIRST MEETING WITH THE MINISTER OF COMMERCE ON JANUARY 10, AMBASSADOR RAWSON REMINDED MUGENZI OF THE PROBLEM AND AGAIN THE MINISTER PROMISED TO RESOLVE THE DISPUTE. TO DATE, THE EMBASSY HAS NOT RECEIVED A REPLY TO THE FOLLOW-UP LETTER SENT TO HIM BY THE AMBASSADOR. MINISTER MUGENZI HAS BEEN TOTALLY PRE-OCCUPIED IN TRYING TO GAIN SUPPORT FOR HIS LIST OF DEPUTIES TO BE SEATED IN THE TRANSITIONAL NATIONAL ASSEMBLY AND IN PRESERVING HIS MINISTERIAL SEAT IN THE NEXT GOVERNMENT.

COMMENT

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7. SORWATHE IS THE ONLY PROFITABLE TEA FACTORY IN RWANDA. THE COMPANY'S GENERAL MANAGER BELIEVES THAT ASSOPTHE OVERCHARGED SORWATHE AS A MEANS OF REAPING SOME OF THE COMPANY'S PROFITS. IN THE FACE OF SUCH BLATANT PRICE DISCRIMINATION, THE EMBASSY IS CONTINUING ITS EFFORTS TO ENCOURAGE THE MINISTER TO SETTLE THE

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DISPUTE. ANOTHER LETTER FROM THE MINISTER OF COMMERCE, SIMILAR TO THE ONES SENT BY THE MINISTER OF FINANCE IN 1987 AND THE MINISTER OF COMMERCE IN 1991, MAY NOT FORCE ASSOPTHE TO CHANGE ITS ACCOUNTING BOOKS BUT AT LEAST IT WILL STRENGTHEN SORWATHE'S CASE SHOULD IT EVER BE TAKEN TO COURT. RAWSON

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